D R A F T

February 26, 2013

The Honorable Paul Ryan, Chairman
House Committee on the Budget
309 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the suite of policies within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2014 budget cycle.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies and risk management tools that will keep American agriculture and rural communities strong and our citizens healthy and safe. We also know that this country continues to face a fiscal crisis that, if not addressed, will not only harm the agricultural sector and rural America but the country as a whole. The agriculture sector wants to be part of the solution to our nation's debt crisis.

The Committee on Agriculture worked diligently last year to identify over $35 billion in net savings from programs under the Committee's jurisdiction, including $14 billion from commodity and crop insurance programs, over $6 billion from conservation programs, and $16 billion from nutrition programs. The Committee would have also extended a number of currently authorized but unfunded programs, including livestock disaster programs which are necessary given the extreme drought conditions facing many livestock producers across the country. The cost of funding these programs would have been fully offset.

The Committee's main focus this year will be on reauthorizing the farm bill, which expires on September 30, 2013, and improving on the product the Committee passed last year. The Committee spent the past two years holding hearings and "audits" of various policies under the

Agriculture Committee's jurisdiction, including those related to nutrition, commodities, conservation, crop insurance, trade promotion, rural development, credit, research, forestry and energy. The Committee believes the best way to achieve deficit reduction is in the context of the reauthorization of the farm bill with sustainable and fiscally responsible reforms.

The Committee identified significant yet simple reforms to the farm safety net such as eliminating benefits on land that may no longer be farmed and to farmers even when the agricultural economy is doing well. The Committee firmly believes in a true safety net, not payments regardless of market conditions. These and many other substantial reforms produced over $14 billion in savings from the farm safety net.

In addition we reaffirmed that crop insurance, which is distinct from traditional farm policy, has become the cornerstone of risk management in agriculture for a great many producers. At numerous hearings, both in the field and in D.C., the Committee heard about the importance of the federal crop insurance program and how it must not be weakened, particularly since it has already experienced billions of dollars of cuts in recent years. Last year's drought exemplified exactly how important crop insurance is to producers and the rural economy. With almost half of the country experiencing severe to exceptional drought, there were no calls for ad hoc disaster assistance as there have been in the past, because of the protection crop insurance provides.

The conservation title authorized cost-share and technical assistance for farmers, ranchers, foresters, and landowners through voluntary, incentive-based conservation programs. Through these programs, producers protect and restore water quality and quantity, air quality, wildlife habitat as well as address regulatory requirements while providing a safe, abundant, and affordable food supply. These programs have grown in size and significance over the last 25 years. Through bipartisan consensus, the Committee identified reforms that would maintain the core functions and goals of the conservation title while eliminating or combining 23 duplicative and overlapping programs into 13 programs to allow for streamlined delivery, while also providing $6.1 billion in savings. The Committee will continue to look for inefficiencies as we move forward.

The largest program under the Committee's jurisdiction—the Supplemental Nutrition Assistance Program (SNAP)—comprises the portion of the agriculture budget that has seen the most dramatic spending increase, tripling over the last ten years. Given the economic downturn and high unemployment which left many Americans with few options, some increase in nutrition assistance spending is to be expected. In fact, in 2001 there were 17.3 million SNAP (formerly called Food Stamps) recipients. That figure rose to 23.8 million in 2004, 28.2 million in 2008 and now stands at 46.6 million recipients in 2012. While the Congressional Budget Office (CBO) forecasts that number declining to 34.3 million recipients by 2023, the program will still account for $760 billion over the next 10 years.

The nutrition title revised SNAP eligibility polices to reflect a more accountable and uniform national policy by reducing state options to change federal eligibility standards. The Committee also ended bonuses for proper administration of the program. In a different fiscal climate that may have made sense, but given budget deficits it is difficult to justify. It also included common sense reforms to improve the program's integrity such as preventing lottery winners from participating in the program. While illegal immigrants have never been eligible for SNAP benefits, the Committee required states to use the tools we have at our disposal to further ensure only those legally present can access the program.

Beyond the $35 billion of savings that the Committee passed last year, it is important to note the budget reductions that programs under our jurisdiction have experienced both recently and over the past several years. For example, the 2008 farm bill reduced crop insurance by an estimated $6.8 billion at the time and then the renegotiation of the Standard Reinsurance Agreement further reduced the CBO baseline for crop insurance by more than $6 billion. In contrast to many other mandatory funding policies, spending on farm policy has declined significantly. It is also important to note the traditional Title I commodity policies have come in under their projected CBO budgets by an average of $1.2 billion per year since 2002.

Another way to reduce the deficit is to grow the economy. To that end, the Committee will continue its oversight of regulations that affect jobs and the economies of rural communities. The MF Global and PFG BEST bankruptcies have highlighted the need for continued oversight of the Commodity Futures Trading Commission (CFTC) and a review of the adequacy of customer protections authorized under the Commodity Exchange Act. There is concern that implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act will have a direct impact in rural America. Regulatory overreach may adversely affect production agriculture and the communities and businesses they support. In general, regulations appear to be promulgated in spite of potential negative real-world economic consequences that could undermine U.S. producers' ability to produce the safest, most abundant, most affordable food and fiber supply in the world.

Some may argue that the current agricultural economy and farm prices are strong and, therefore, now would be a good time to cut our agriculture policies even further. This conclusion ignores lessons from history. The agriculture economy is highly cyclical. When record-high prices fall—which they inevitably will do—having sound farm policy in place is vital not just for producers but for the entire national economy and has proven time and again to be the most fiscally responsible approach. Recent high prices have not made the family enterprises that make up our farm sector any less vulnerable—indeed it has just raised the stakes in what is still an exceptionally costly, risky business.

It bears mentioning that during some of the worst economic times in the last 50 years, production agriculture served as a catalyst for economic growth. Last year alone, U.S. farmers and ranchers produced $470 billion of goods after spending $250 billion to purchase inputs, made $72 billion in rent payments, paid $26 billion in wages to employees, and spent $15 billion in interest and financing. While American agriculture would be greater than all but about 30 of the world's economies based on the value of goods produced alone if it were its own country, the farm safety net now constitutes less than one quarter of one percent of the federal budget.

Recognizing the dire fiscal situation this country is in, we developed a bipartisan farm bill last summer that would have contributed substantially to deficit reduction while simultaneously reforming policies and providing risk management tools for the nation's agricultural producers.

The Committee looks forward to continued hearings and input from Members to achieve the most fiscally responsible farm bill.

We are grateful for your consideration of the views we have presented and look forward to providing assistance in preparation of a responsible budget resolution.

Sincerely,

Frank D. Lucas Chairman	Collin C. Peterson Ranking Minority Member